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No. 02-428

IN THE

Supreme Court of the United States

DASTAR CORPORATION,

Petitioner,

v.

TWENTIETH CENTURY FOX FILM CORPORATION, SFM ENTERTAINMENT LLC, and NEW LINE HOME VIDEO INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page ii of the Petition for a Writ of Certiorari, and there are no amendments to that statement.

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INTRODUCTION

This case concerns an intellectual property doctrine more or less invented by the Ninth Circuit in the 1980s. Under *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), anyone who copies a creative work, including one in the public domain, must give credit to those who participated in the original work. Because the *Montoro* doctrine is based on the Lanham Act, the protection it affords may last forever—continuing long after patent or copyright protection has expired. The petition presented three grounds for granting certiorari.

First, this case offers an opportunity to determine whether, consistent with the Constitution's patent and copyright clause, the Lanham Act may extend the intellectual property protection of a work whose copyright has expired. The Court recently granted certiorari on the issue but was unable to reach it. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001).

Second, the *Montoro* doctrine has led the circuits into disarray. The circuits have split three ways over how to satisfy the statutory requirement of consumer confusion.

Finally, this petition presents an additional circuit conflict—over the circumstances in which courts may order disgorgement of the defendant's profits and "enhance" the award by doubling or tripling it. In particular, the circuits are divided over whether such awards may be made for non-compensatory reasons, such as the punishment or deterrence of particularly egregious infringers.

We address each ground in turn.

I. The Petition Presents Constitutional Issues That This Court Has Already Recognized As Worthy Of Certiorari.

A. Two years ago, this Court granted certiorari on the issue presented here: whether the Lanham Act may constitutionally extend intellectual property protection beyond the term conveyed under the patent and copyright clause of the Constitution. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001). Dastar's petition urged that certiorari be granted in this case to resolve the issue left open in *TrafFix Devices*. *See id.* at 35.

Respondents' counsel are remarkably distinguished and able. Their brief is long—longer even than the petition—and it attacks in detail every ground for granting certiorari advanced by Dastar. Except this one.

By their silence, respondents effectively concede that the issue in *TrafFix Devices* remains certworthy, remains unresolved, and can properly be addressed in the present case. Nor do respondents challenge Dastar's observation that the issue is even more crucial in a copyright than a patent context. Pet. at 17. These undisputed facts are sufficient by themselves to justify a grant of certiorari.

B. Rather than address *TrafFix Devices*, respondents save their fire for a second constitutional concern raised by the petition. Dastar argued that the *Montoro* doctrine casts an unacceptably long shadow over the public domain. *Montoro* will inevitably chill those who wish to copy or adapt public domain works. On pain of heavy liability, users of public domain works must now meet an ill-defined obligation to give "credit" to all who participated in the origination of the public domain work.

In rebuttal, respondents take two tacks. They first portray the *Montoro* doctrine as a simple and unexceptionable consumer-protection measure, rather than a means of extending intellectual property protection indefinitely. They next argue that responsible, law-abiding companies will have no difficulty understanding and meeting their obligations under *Montoro*. Both of these efforts fail.[1]

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1. Respondents also drop a footnote to point out that the book underlying the video series at issue may not be in the public domain, a question currently being litigated below. Br. Opp'n at 20 n.4. They suggest half-heartedly that this makes a grant of certiorari less attractive, at least on the constitutional claim. But the *Montoro* doctrine's effects are not limited to public domain works; that is simply where they are most pernicious. For this reason, the Lanham Act award against Dastar will remain in effect no matter what happens to the copyright claim. There is therefore nothing interlocutory about the Lanham Act award.

1. Respondents' effort to recast *Montoro* as a consumer protection doctrine is undercut by their own example. Respondents assert that, to protect consumers, Leo Tolstoy's heirs could bring suit against anyone who publishes *War and Peace* without crediting Tolstoy as the author.

The implications of this all-too-plausible suggestion are remarkable. When *Montoro* was decided in 1981, *War and Peace* had already been in the U.S. public domain for 115 years. Manifestly, Tolstoy's heirs had no claim against anyone who used his work for any purpose. Now, thanks to *Montoro*, they do. This will come as a shock to translators and abridgers who have assumed they had no continuing legal obligation to Leo Tolstoy—not to mention all the ballparks that fail to mention Francis Scott Key before launching into the national anthem.

Neither Congress nor the courts have authority to retroactively restrict the public domain in this fashion. That authority has been much debated in the context of *Eldred v. Ashcroft*, No. 01-618. *Eldred* is unlikely to address the issue squarely (perhaps for that reason, neither Dastar nor respondents have asked that this case be held for *Eldred*). Yet the briefing and argument in *Eldred* plainly demonstrate the importance of deciding whether the Constitution permits the imposition of new intellectual property restrictions on works that are already in the public domain. That issue underlies this petition—and has led numerous law professors to submit an *amicus* brief in their own names, urging the Court to grant certiorari in this case.

2. Respondents argue that *Montoro* imposes no chilling ambiguities and that companies like Dastar will have no problems if they simply honor obligations that are plain to all. On the contrary, this case in fact illustrates precisely the ambiguities and opportunities for "gotcha" lawyering that *Montoro* has spawned. Despite respondents' claim that Dastar provided inaccurate credits to mislead consumers, the series as presented to consumers made no effort to mislead anyone about the origin of the series. The only "designation of origin" on the

boxed set of videos appeared on the bottom of the box. There, next to the bar code, wedged between the copyright notice and an anti-piracy warning, in print several sizes smaller than the bar code numbers, was the following phrase: "Produced and Distributed by Entertainment Distributing P.O. Box 22738 Eugene OR 97402."[2]

This statement was neither false nor intended to mislead consumers. The same is true of the screen credits listing Dastar employees, all of whom carried out the tasks for which they were recognized. Dastar cannot be liable for accurately crediting those who assisted in the creation of *its* work. The problem must be what it omitted, not what it said. So, could Dastar have avoided liability simply by also giving credit to those who originated the earlier work, as respondents imply?

Not likely. As the leading trademark treatise notes, *Montoro* has created a Hobson's choice for those in Dastar's position: omitting the names of the originators gives rise to suits of the present sort, but adding the originators' names to an edited work will give rise to a claim that the trademarks of the originators have been misused to imply that they approved of the edits. *See* 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 6:27, at 6-55 (4th ed. 2002).

Finally, as this case amply demonstrates, it is almost impossible to divine who, exactly, should get what credit. Not one of the successful plaintiffs in this case was the author, or an actor, or the director of the series. Asked to explain their role in creating the original works, respondents said that one of them, Fox, "conceived of" and paid for the 1948 television series and "participated in the creative process" in some unexplained way (lunch at Chasen's, one imagines). ER 270 n.18. The other contributors offered even less. Respondents say that SFM's predecessor came up with the idea of turning the television series into a

2. A full-size copy of the box bottom is attached to this brief. App. 1. The box itself was an exhibit in the trial and on appeal and is thus part of the record. ER 1663-67; Order Granting Jt. Mot. for Leave to Lodge Physical Exs. Filed Jan. 22, 2001 (9th Cir. Mar. 6, 2002).

videotape, led the effort to find the old series, and supervised and financed its restoration and repackaging. *Id.* New Line was simply a distributor. *Id.* How could even the most scrupulous user of a public domain work possibly anticipate that these corporate suits had to be credited as the "origin" of the earlier work?

In short, contrary to respondents' airy assurances, the ambiguities of *Montoro* guarantee that, long after their copyrights have expired, litigious copyright holders will be able to continue their monopoly—or at least to collect steep tolls from those who wish to adapt, modify, or incorporate their works. That is reason enough to grant certiorari and dispense with *Montoro*.

II. The Circuits Are Split Three Ways Over How To Apply The *Montoro* Doctrine.

The petition described a three-way conflict among the circuits on a fundamental question arising out of *Montoro*: What are the elements that give rise to liability? In the Second and Ninth Circuits, these elements are two: a failure to give proper credit and heavy copying of the original work. The Second and Ninth Circuits diverge, however, in their characterization of the amount of copying that will give rise to liability. The Ninth Circuit requires "bodily appropriation" of the original work. The Second Circuit requires only a "substantial similarity." Both tests are drawn from copyright law and create what the Ninth Circuit has candidly described as a form of "disguised copyright." *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209, 1213 (9th Cir. 1998) (citing 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01[B][1][e], at 1-24 n.110). In other words, liability arises from copying plus a failure to give adequate "credit" to the originator.

Other circuits, however, are less inclined to adopt such a "copyright lite" approach to the Lanham Act. In these circuits, the petition noted, an inadequate credit gives rise to liability only after application of the traditional multifactor test used in other Lanham Act contexts to determine whether there is a likelihood of consumer confusion. Pet. at 10-11.

Respondents acknowledge the conflict between the Second and Ninth Circuits. Br. Opp'n at 14, 15. They argue, however, that the conflict is irrelevant to the present case, because Dastar bodily appropriated the original work. This assertion is open to question. As respondents acknowledge, Dastar made numerous modifications to the original work. Among other things, Dastar moved the series recap to the beginning of its tapes, deleted much footage, and added several title sequences. Br. Opp'n at 6. Even if this Court were to adopt the Ninth Circuit's "bodily appropriation" test, it could nonetheless find that "bodily appropriation" is not what Dastar did. Certainly the question is sufficiently close that it would not be possible to resolve this case without also settling the question of exactly how much copying leads to liability.

Of course, in many circuits, copying does not lead automatically to liability; in those circuits, the courts examine many factors to measure likely consumer confusion. *Id.* at 16-17. Rather than acknowledge this as a conflict, however, respondents make the unlikely claim that the Ninth Circuit does not in fact use bodily appropriation as a substitute for the multifactor test. *Id.* at 17.

In advancing this claim, respondents contradict the argument that won the case for them in the Ninth Circuit. There, they used italics to emphasize that the Ninth Circuit was unique, that

> *this* Circuit does not require an independent showing of confusion to establish reverse passing off. . . . Confusion is assumed when there is a bodily appropriation . . . . [N]o Ninth Circuit reverse passing off case has required an independent showing of confusion apart from bodily appropriation. Nor would creating an additional confusion requirement make sense.

Appellees' Answering Br. at 50, 51 (emphasis in original).

Respondents' new view of the law also silently disavows the court of appeals, which accepted respondents' arguments about the precedents, and said so:

> We reject Dastar's contention that Twentieth Century Fox must make an independent showing that the

> series manufactured by Dastar resulted in consumer confusion. Dastar's "bodily appropriation" of Fox's original series is sufficient to establish the reverse passing off . . . .

Pet. App. A. at 3a-4a.

Finally, respondents' new interpretation of Ninth Circuit law is belied by numerous courts and commentators, all of whom recognize, and generally criticize, the Ninth Circuit's use of "bodily appropriation" as a proxy for consumer confusion.[3]

What then does respondents' new view rest on? Remarkably, on just one Ninth Circuit opinion, *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403 (9th Cir. 1988). But *Lamothe* said nothing about whether "bodily appropriation" should be a substitute for the traditional multifactor test. In *Lamothe*, the question was whether *Montoro* is violated by a credit that mentions one co-author and omits two others. The defendants argued on appeal that there should be no liability when "the designation of a product's source is partially correct." *Id.* at 1407. The court disagreed, extending further *Montoro*'s ambiguous reach by holding that "[a]n incomplete designation of the source of the good or service is no less misleading because it is partially correct." *Id.* at 1408. The court did not discuss the standard for likelihood of confusion in any respect.

Apart from this inapposite case, respondents cite a handful of Ninth Circuit cases that pay lip service to consumer confusion as an element of Lanham Act cases. Of course they do. The Act unambiguously requires consumer confusion. 15 U.S.C. § 1125(a)

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3. *See, e.g.*, *Montgomery v. Noga*, 168 F.3d 1282, 1299 n.27 (11th Cir. 1999) (some courts are "rejecting any requirement of either bodily appropriation or substantial similarity and focusing instead on likelihood of confusion"); Joseph H. Golant & Jodi M. Solovy, *Discrimination Against Authors and Artists—the Ninth Circuit and Section 43(a)*, 33 Beverly Hills B.J. 35, 39-42 (2000); Rudoph Stuart Sergent, *Building Reputational Capital: The Right of Attribution Under Section 43(a) of the Lanham Act*, 19 Colum.-VLA J.L. & Arts 45, 63-64 (1995); Lori H. Freedman, *Reverse Passing Off: A Great Deal of Confusion*, 83 Trademark Rep. 305, 329-30 (1993).

(2000). The question dividing the circuits is not whether consumer confusion is required by the Act, but whether copying serves as a proxy for confusion. Respondents have failed utterly in the task they set themselves—showing that the Ninth Circuit does not use bodily appropriation in precisely this fashion.

III. The Circuits Are Split Over When The Lanham Act Permits A Double Or Treble Award Of Profits.

The Lanham Act permits an award, not just of damages, but also of any profits earned from the infringement. In addition, the award may be "enhanced"—perhaps doubled or even trebled—as long as courts observe the statutory admonition that such awards must constitute "compensation and not a penalty." 15 U.S.C. § 1117(a) (2000).

The petition pointed out that some circuits have treated this statutory instruction as allowing such awards only for compensatory, rather than punitive, purposes. Others have found a way to use "enhanced" awards to penalize deliberate infringers, typically by suggesting that the purpose of the award is "deterrence" rather than punishment.

Respondents, in a now-familiar pattern, first deny that there is a conflict and then deny that the facts of this case present the conflict cleanly. Both assertions are wrong.

A. Respondents are particularly unpersuasive in trying to obscure the deep divide between compensatory and punitive jurisdictions. They suggest, for example, that the Ninth Circuit is not a punitive jurisdiction because it says that enhanced awards are a way to deter willful infringers. But such statements do not align the Ninth Circuit with the jurisdictions that reject deterrence and allow only compensatory awards. Certainly the notion of some hidden congruity among the circuits has not occurred either to the Ninth Circuit (*see* Pet. at 19-20) or to the host of scholars who have identified the split.[4] That is probably

4. *See, e.g.*, James M. Koelemay, Jr., *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark (Cont'd)

because, as a practical matter, penalties are inextricably linked to deterrence and willful misconduct, as this Court recently recognized when it characterized punitive damages as "a penalty to deter wrongful conduct." *Cooper Indus., Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 441 (2001).[5] Respondents' effort to change the subject—from the penalty to the conduct that triggers the penalty—does nothing to bring the Ninth Circuit into line with the circuits that reject all penalties outright.

Respondents similarly seize on the fact that some of the circuits that limit such awards to compensatory purposes say they reject awards for a "punitive or deterrent purpose." *See Jurgens v. McKasy*, 927 F.2d 1552, 1564 (Fed. Cir. 1991). When a court rejects an award made for "punitive or deterrent" purposes, it is treating the purposes as interchangeable—and as equally objectionable in the context of a statutory distinction between "compensation" and a "penalty."

B. Finally, respondents suggest that this is not a proper case for resolving the conflict because the award of profits in this case was actually compensatory rather than punitive. In so arguing, respondents once again must silently disavow the

(Cont'd)
Rep. 263, 294-96 (1995) ("Some courts have opined without careful analysis that the statutory power to increase awards was granted for the purpose of punishing and deterring willful infringement. These holdings ignore the 'compensation and not a penalty' provision and ignore the legislative history. . . ."); Christopher P. Bussert & Theodore H. Davis, Jr., *Calculating Profits Under Section 35 of the Lanham Act: A Practitioner's Guide*, 82 Trademark Rep. 182, 182 n.1 (1992); Bryan M. Otake, *The Continuing Viability of the Deterrence Rationale in Trademark Infringement Accountings*, 5 UCLA Ent. L. Rev. 221, 242, 245-46 (1998).

5. The Second Circuit has directly refuted respondents' suggestion that deterrence and the willfulness of the infringer are somehow entirely separate concepts: "willfulness expressly defines the third rationale (deterrence)." *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992).

express holding of the court of appeals below. The court could not have been clearer on this point:

> The district court did not abuse discretion by doubling the profit award under 15 U.S.C. § 1117(a). The court considered the circumstances of the case, as required by section 1117(a), and doubled the award in order to deter future infringing conduct by Dastar—a permissible ground under the Lanham Act.

Pet. App. A at 4a (citing two Ninth Circuit decisions).

Ignoring this dispositive passage, respondents devote all of their attention to the district court's opinion. They argue that a close reading of the *lacunae* in that opinion shows that the district court may have awarded profits as a substitute for calculating plaintiffs' actual damages. Whatever room there may be for arguing about what the district court did not say, however, there is no doubt about why the district court doubled the award. The district court explained its award in a short but conclusive passage that offers not the slightest support for the reading urged by respondents. On the contrary, with a single, careful word—"thus"—the court tied its enhanced award directly to the willfulness of Dastar's actions and the need to "deter future infringing conduct":

> [The Lanham Act] confers authority on the Court to treble or otherwise increase the award of defendants' profits in order to deter future infringing conduct. An award of double damages is particularly appropriate here because, as described above, defendants' infringement was willful. Thus, plaintiffs are entitled to double defendants' profits for a total award of $1,567,213.66.

Pet. App. B at 27a (citations omitted).

In short, the record demonstrates that this is an entirely appropriate case for resolving a circuit conflict that, despite their best efforts, respondents simply cannot explain away.

Respectfully submitted,

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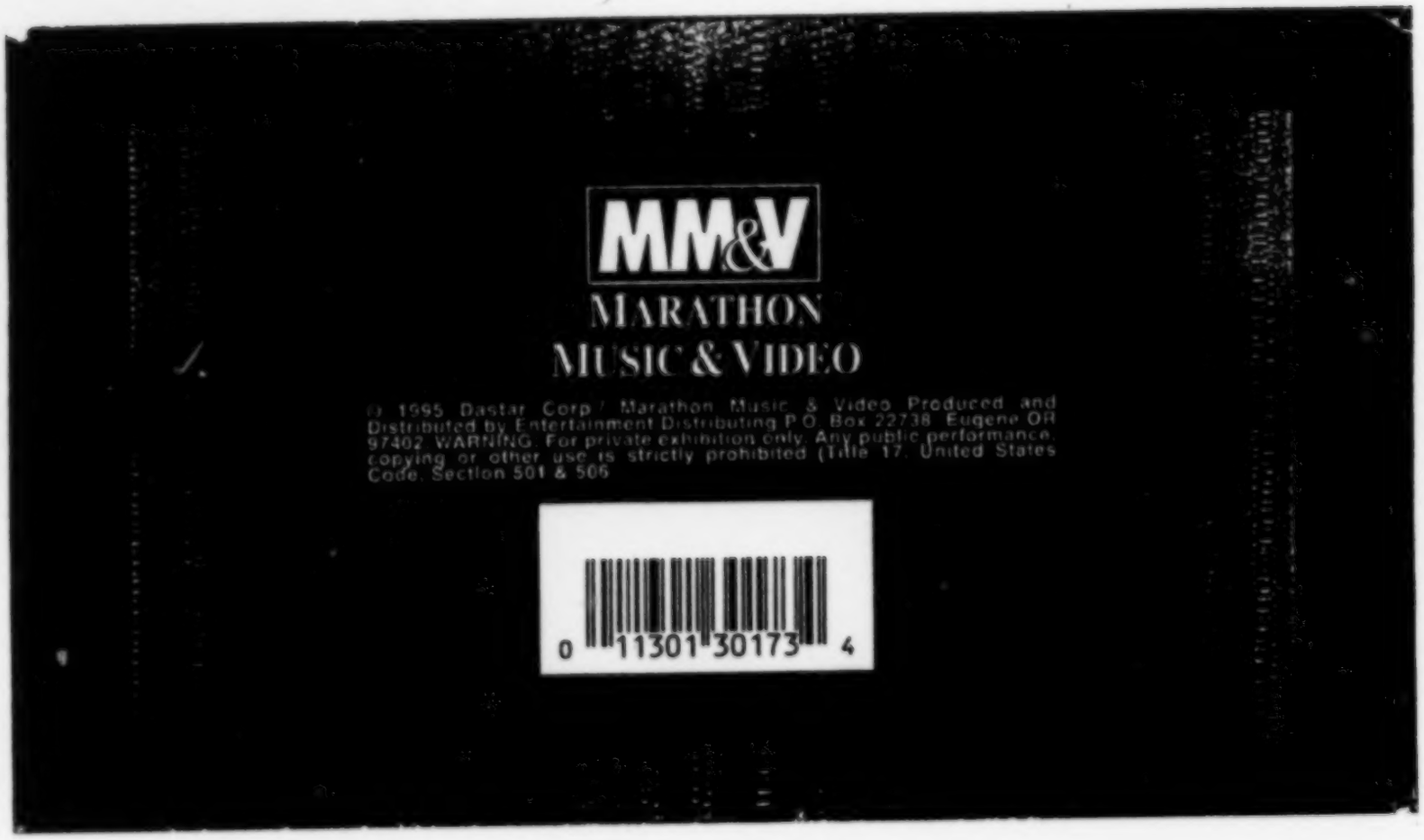
APPENDIX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APPENDIX 1